

“The Effects of the Health Law’s Definitions of Full-Time Employee on Small Businesses”

Testimony of
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On Behalf of
The National Grocers Association

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Subcommittee on Health and Technology

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Good Morning Chairman Collins and members of the Subcommittee. Thank you for that kind introduction and for the opportunity to testify on behalf of the National Grocers Association on an issue that is very important to independent grocers and small businesses across the country. NGA is the national trade association representing the retailers and wholesalers that comprise the independent channel of the supermarket industry. Independent grocers account for approximately one quarter of the total US supermarket industry with nearly \$130 billion in total sales, and over 944,000 in direct jobs that pay over \$30 billion in wages.

My name is Steven Hermann and I am the Vice President of Paul's Supermarkets. Our family-owned company has been in business in Eldon, Missouri, for over 45 years. I started working in my family's supermarket when I was 14 years old, learning the trade from my grandfather and father. Like many independent grocers, I fell in love with the business early on and quickly gained an appreciation for hard work and customer service. Today my family operates three supermarkets with locations in Eldon, Osage Beach, and Lake Ozark, Missouri.

Like many small employers across the country, we have weathered many economic storms throughout the years and are proud that we have never lost sight of the two most important things for our business: our employees and our customers. However, we are facing a challenge in our workforce unlike any we have seen before. I am fearful that the unintended consequences of the Affordable Care Act (ACA) will hurt our employees and undermine our values as a family owned small business. Under the ACA, the definition of full time employee has created new barriers for our industry where working an average of 30 hours per week is simply not considered full-time.

Independent grocers are proud to provide employment to hundreds of thousands of individuals, many of whom are working a second job or simply looking to help supplement their family's income. As such, the supermarket industry employs a large number of part-time workers to help meet the ever changing needs and demands of our customers, which can change from day to day. The ACA created

new hurdles for businesses by greatly expanding the number of employees eligible for health plans by defining a full-time employee as an employee who has averaged at least 30 hours of service per week over the course of a month.

This new definition of full-time under the law will force small businesses to re-think how they hire and schedule part-time employees. Where an employer may have previously hired a new part-time employee with the expectation that they would work 33-35 hours per week, that employee will now be brought on knowing they are a part-time employee and their work week will be limited to less than 30 hours per week. Employers are likely to hire fewer employees, especially full-time employees, learning to do more with fewer workers in order to control costs.

Not only is the law redefining what it means to be a full-time worker in this country, but it's permanently changing the American workforce by interfering with part-time workers' ability to earn a living. Part-time employees in need of additional money may no longer be able to pick up an additional shift to pay for unexpected expenditures or earn extra money around the holidays.

We employ a large number of part-time associates, many during our busy summer season, but also others that help staff our stores throughout the year. These part-time workers include kids working while attending college, spouses helping to supplement their family's main income, and older associates supplementing their retirement. Unfortunately, due to the law, many businesses may now be unable to provide part-time associates with the hours they need.

We have long felt that our associates are like our family, which is why we are proud to offer a wide range of great benefits to our full-time associates, including funding 100 percent of the associate's healthcare premium after the deductible is met. Our associates have access to a Health Savings Account and the company contributes a small monthly stipend toward that account. Today, we currently employ 75 full-time associates and 100 part-time and seasonal workers between our three stores. We are proud of the fact that nearly all of our full-time associates participate in our health plan and it's our

hope that we can continue to provide quality benefits in the future, although it gets more and more difficult to do so with each passing year.

This commitment to our associates is not without significant costs, especially for a small family—owned business such as mine. Over the years, as health care costs have increased we have worked hard to maintain the benefits we offer, including adapting our health plans to meet the changing times and employees needs. In this year alone, healthcare costs for my company exceeded \$300,000, not including any in-house administration costs, and we are on track for a significant increase again next year. The supermarket industry operates on razor thin profit margins, which was confirmed again in the 2013 NGA Financial Survey, where net profit before taxes among independent grocers hovered around 1.65%. In this competitive industry pennies really do count and can make the difference between making a profit or not.

According to the same NGA Financial Survey, 92 percent of respondents indicated they currently offer health benefits to their full-time employees, which is a testament to the commitment that independent grocers have to their associates. Employers, such as myself, very much want to continue providing quality benefits to our full-time employees, recognizing that a healthy employee is a productive employee. However, many businesses simply cannot afford to provide coverage to workers who average 30 hours per week. Thus, small business owners will have to make tough choices and many part-time employees will face reduced hours and smaller paychecks.

Independent grocers need the flexibility to be able to manage their businesses and workforces to meet the needs and demands of their customers. The burdens placed on our businesses by this law hamper our ability to do just that and make it more difficult to succeed in a hypercompetitive marketplace. Paul's Supermarket prides itself on supporting charitable organizations and community groups; however pressures from the healthcare law could impact our ability to continue that support that the same level. My strong recommendation to you today is that Congress should do all it can to

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help businesses by removing barriers or any artificial thresholds that will inhibit our ability to hire workers and create good jobs. One of the most effective ways for Congress to do just that is to pass legislation that amends the unrealistic definition of a full-time employee under the healthcare law so that businesses can focus on continuing to be an employer of choice in the communities we serve.

Thank you for the opportunity to appear before the Committee today and I look forward to answering any questions you may have.